



Condensed interim financial statements

for the six months ended 30 September 2012

Overview – understanding the performance of your investment

YeboYethu Limited ('YeboYethu') came into being through Vodacom (Pty) Limited's ('Vodacom SA') Broad-based Black Economic Empowerment ('BBBEE') transaction in October 2008, reflecting the commitment of Vodacom Group Limited ('Vodacom Group') to truly broad-based transformation. Established for the sole purpose of owning shares in Vodacom SA, YeboYethu's only investment is a 3.44% interest in Vodacom SA. The financial success of YeboYethu is therefore fundamentally linked to the performance of Vodacom SA.

This announcement reviews the material issues facing Vodacom SA and its performance for the six months ended 30 September 2012. It also explains the performance of YeboYethu and provides important information relating to the affairs of YeboYethu. Shareholders are advised to visit the YeboYethu website for important additional information.

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In reading this announcement, it is important to keep in mind that the key concern of YeboYethu shareholders is that Vodacom SA continues to grow and prosper over the long term. The ability of Vodacom SA to achieve this, despite the short-term challenges which are discussed below, has a great deal to do with it being part of Vodacom group of companies, which aims to be a leading provider of total communications in sub-Saharan Africa, and the Vodafone group of companies being the world's leading international mobile communications group by revenue.

There are many benefits for Vodacom SA, and therefore for YeboYethu, of this ownership structure. These include the opportunity to save costs through centralised buying and to offer customers greater value through new product and service innovations.

Vodacom SA

Vodacom SA's service revenue grew 1.3% to R23 800 million (4.0% excluding the impact of regulated cuts in mobile termination rates ('MTRs')). Given the challenging economic and competitive environment the underlying growth in service revenue was a positive reflection of the steps taken during the period to incentivise higher usage to drive take up of data services through value promotions. Revenue growth was 3.7%, mainly due to increased sales of high-end smartphones, as Vodacom SA continues to penetrate the mobile internet market.

Voice revenue growth remained stable at 1.5% through the period. During the period Vodacom SA detected an increase in prepaid customers with once-off low usage. Vodacom SA has taken commercial steps in the distribution channel to improve the quality of customers. Approximately a quarter of the monthly gross connections have displayed this type of behaviour and will likely lead to a decline in prepaid customers as Vodacom SA takes corrective action. Contract customers increased 5.8% year on year to 5.8 million, attracted by the new integrated price plans and data plans. The higher prevalence of lower usage customers, reduction in MTRs and lower out of bundle spend from contract customers, led to a 21.1% reduction in blended Average Revenue Per User ('ARPU') to R127.

Data revenue increased 13.5% to R4 224 million, contributing 17.7% to service revenue compared to 15.8% a year ago. Data traffic grew 42.5% which more than offset a 24.2% reduction in the average effective price per megabyte ('MB'). Data demand is being driven by increased penetration of data services into the customer base and higher usage amongst existing data customers. Active data customers increased 26.8% to 13.3 million and an additional 1.4 million smartphones over the year are now active on the network bringing the total to 5.3 million. With respect to higher usage, customers purchasing data bundles increased 35.2% to 4.8 million and smartphone average monthly usage increased 46.1% to 123MB, from 84MB in the prior year.

As a result of Vodacom SA's continued focus on cost efficiencies across its business, earnings before interest, taxation, depreciation and amortisation ('EBITDA') growth of 10.92% far outpaced revenue growth and the EBITDA margin increased 2.0ppts to 38.3%. Despite inflationary pressures, Vodacom SA was able to keep operating expenses flat year on year

through increased efficiencies in the network, call centre and terminal logistics areas.

Capital investment during the six month period was R3 214 million (11.3% of revenue). The majority of the capital expenditure was concentrated on transmission, the radio access network ('RAN') renewal project and adding new base stations to the network. Vodacom SA has provided high speed transmission to 5 000 sites and added 275 new 3G base stations and 168 new 2G base stations in the six months, bringing the total number of 3G base stations to 5 538 and 2G base stations to 9 044. These initiatives supported the commercial launch of long-term evolution ('LTE') in Johannesburg, with Pretoria and Durban to follow before the end of the year as Vodacom SA activates 500 LTE sites.

YeboYethu – numbers explained

YeboYethu's condensed interim financial statements for the six months ended 30 September 2012 have been prepared in accordance with International Financial Reporting Standards ('IFRS') and comply with the disclosure requirements set out in International Accounting Standard 34: Interim Financial Reporting ('IAS 34'). The results have been presented together with the results for the six months ended 30 September 2011 and year ended 31 March 2012.

An explanation of the YeboYethu condensed statement of comprehensive income for the period is provided below:

	Six months ended 30 Sept 2012	Six months ended 30 Sept 2011	Year ended 31 Mar 2012
	R000 Reviewed	R000 Reviewed	R000 Audited
Income ¹	12 942	7 600	15 200
Expenses ²	(2 010)	(2 651)	(3 894)
Operating profit	10 932	4 949	11 306
Finance income	156	149	283
Finance cost	–	–	(1)
Gains/(loss) on remeasurement of financial instrument ³	565	(2 188)	161 690
Profit before taxation	11 653	2 910	173 278
Taxation	(149)	(41)	(51 254)
Net profit	11 504	2 869	122 024

1 YeboYethu recorded dividends received of R12.9 million in the current period, R7.6 million in the prior period and R15.2 million for the financial year ended 31 March 2012.

2 During the six months ended 30 September 2012, YeboYethu incurred expenses of R2.0 million, a decrease of 24.2% from R2.7 million in the prior period. The expenses incurred are mainly attributable to the printing and postage of the annual report, the cost of hosting the annual general meeting and cost of the transfer secretary.

3 YeboYethu recorded a profit of R564 491 in the period on the valuation of the financial asset compared to the loss of R2.2 million in the prior period ended 30 September 2011. The financial asset is the YeboYethu call option that allows Vodacom SA to purchase a number of Vodacom SA 'A' ordinary shares from YeboYethu at the end of the facilitation period (October 2015). This is required so that YeboYethu can settle any outstanding balance on the "notional loan" provided to YeboYethu at this time. It is important to consider that Vodacom SA's BBBEE transaction is a long-term investment, which, through the substantial financing provided by Vodacom SA, has lowered the exposure for individual investors. Shareholders will appreciate that certainty cannot be claimed in a volatile environment.

YeboYethu hosted its fourth annual general meeting ('AGM') on 30 July 2012, where shareholders approved the annual financial statements for the year ended 31 March 2012, voted on the election of directors, re-appointed the auditors, appointed the members of the audit committee and voted on approval of special resolution number 1 and special resolution number 2, respectively. Prior to the AGM, shareholders were provided with a presentation on understanding of the valuation, the new memorandum of incorporation and the information booklet. The results of the AGM are available on www.yeboyethu.co.za

Dividends

Dividends are declared and paid annually as per the dividend policy. The final dividend of R10.7 million for the 2012 financial year was declared on 31 March 2012 and paid on 30 April 2012.

Condensed statement of comprehensive income

for the six months ended 30 September 2012

	Six months ended 30 Sept 2012	Six months ended 30 Sept 2011	Year ended 31 Mar 2012
	R000 Reviewed	R000 Reviewed	R000 Audited
Income	12 942	7 600	15 200
Expenditure	(2 010)	(2 651)	(3 894)
Operating profit	10 932	4 949	11 306
Finance income	156	149	283
Finance costs	–	–	(1)
Gains/loss on remeasurement of financial instrument	565	(2 188)	161 690
Profit before taxation	11 653	2 910	173 278
Taxation	(149)	(41)	(51 254)
Net profit	11 504	2 869	122 024
Comprehensive income	11 504	2 869	122 024

Condensed statement of financial position

as at 30 September 2012

	As at 30 Sept 2012	As at 30 Sept 2011	As at 31 Mar 2012
	R000 Reviewed	R000 Reviewed	R000 Audited
Assets			
Non-current assets	937 427	774 404	936 862
Financial assets	937 427	772 984	936 862
Deferred taxation	–	1 420	–
Current assets	15 074	8 179	14 766
Accounts receivable	4 020	306	6 841
Taxation receivable	182	192	186
Cash and cash equivalents	10 872	7 681	7 739
Total assets	952 501	782 583	951 628
Equity and liabilities			
Share capital	*	*	*
Ordinary share premium	359 918	359 972	359 950
Retained earnings	484 371	364 276	472 771
Total equity	844 289	724 248	832 721
Non-current liability	107 679	57 818	107 573
Deferred taxation	107 679	57 818	107 573
Current liabilities	533	517	11 334
Account payable	533	517	679
Dividends payable	–	–	10 655
Total equity and liabilities	952 501	782 583	951 628

* Less than R500.

Condensed statement of changes in equity

for the six months ended 30 September 2012

	Share capital and ordinary share premium R000	Retained earnings R000	Total equity R000
Balance at 31 March 2012	359 950	472 771	832 721
Net profit	–	11 504	11 504
Repurchase of shares	(32)	(19)	(51)
Net dividends	–	115	11
Balance at 30 September 2012 – Reviewed	359 918	484 371	844 185
Balance at 31 March 2011	359 987	372 067	732 054
Net profit	–	2 869	2 869
Repurchase of shares	(15)	(4)	(19)
Dividends	–	(10 656)	(10 656)
Balance at 30 September 2011 – Reviewed	359 972	364 276	724 248
Balance at 31 March 2011	359 987	372 067	732 054
Net profit	–	122 024	122 024
Repurchase of shares	(37)	(10)	(47)
Dividends	–	(21 310)	(21 310)
Balance at 31 March 2012 – Audited	359 950	472 771	832 721

Condensed statement of cash flows

for the six months ended 30 September 2012

	Six months ended 30 Sept 2012	Six months ended 30 Sept 2011	Year ended 31 Mar 2012
	R000 Reviewed	R000 Reviewed	R000 Audited
Cash generated from operations	10 792	5 156	11 668
Taxation paid	(39)	(49)	(80)
Net dividends paid	(10 539)	(10 656)	(10 655)
Net cash generated from/ (utilised in) operating activities	214	(5 549)	933
Finance income received	170	174	279
Net cash generated from investing activities	170	174	279
Cash flow from financing activities			
Interest paid	–	–	(1)
Share capital and share premium movement	(51)	(19)	(47)
Overnight deposit movement	2 800	5 800	(700)
Net cash generated from/ (utilised in) financing activities	2 749	5 781	(748)
Net increase in cash and cash equivalents	3 133	406	464
Cash and cash equivalents at the beginning of the period/year	7 739	7 275	7 275
Cash and cash equivalents at the end of the period/year	10 872	7 681	7 739

Notes to the condensed interim financial statements

for the six months ended 30 September 2012

1. Nature of business

The company was incorporated on 19 June 2008 under the laws of the Republic of South Africa. The principal activities of the company are to carry on business of holding Vodacom (Proprietary) Limited ('Vodacom SA') ordinary shares and 'A' ordinary shares as well as to acquire and hold interests in Vodacom Group Limited ('Vodacom Group') and its subsidiaries and associated companies, for the benefit of shareholders.

There has been no material changes to the nature of the company's business from 31 March 2012.

2. Basis of preparation

The condensed interim financial statements of the company have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') and information required by IAS 34 as issued by the IASB, the AC 500 standards as issued by the Accounting Practices Board and the Companies Act No. 71 of 2008, as amended. The condensed interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost, and are presented in South African rand, as this is the currency in which the majority of the company's transactions are denominated.

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous financial year ended 31 March 2012 and are available for inspection at the company's registered office. There have been no material changes in judgements or estimates of amounts reported in the prior interim period or in the prior financial year.

	Six months ended 30 Sept 2012	Six months ended 30 Sept 2011	Year ended 31 Mar 2012
	R000 Reviewed	R000 Reviewed	R000 Audited
3. Finance income			
Interest income			
Bank and Vodacom Group Limited deposits	156	149	283

4. Financial assets

The company acquired a 3.44% investment in Vodacom SA during the 2009 financial year by obtaining ordinary shares and 'A' ordinary shares for the benefit of its shareholders as part of the Broad-Based Black Economic Empowerment transaction ('BBBEE'), as follows:

	As at 30 Sept 2012	As at 30 Sept 2011	As at 31 Mar 2012
	R000 Reviewed	R000 Reviewed	R000 Audited
Financial asset at fair value through profit or loss			
Vodacom South Africa option asset			
7 200 000 ordinary shares at R25.00 each	180 000	180 000	180 000
82 800 000 'A' ordinary shares at R2,1739 each	180 000	180 000	180 000
75 000 000 'A' ordinary shares at R0.00001 each	1	1	1
	360 001	360 001	360 001
Accumulated fair value adjustment	577 426	412 983	576 861
	937 427	772 984	936 862
Reconciliation			
Opening balance	936 862	775 172	775 172
Fair value adjustment	565	(2 188)	161 690
Closing balance	937 427	772 984	936 862

4. Financial assets continued

A Monte Carlo methodology was adopted to value the option asset. The Monte Carlo simulation allows for the option model to consider the dependencies which exist among the company value, the dividends paid, the notional funding value and the remitted value. The information on the valuation is available for inspection at the company's registered office.

Notional funding

The notional funding does not give rise to a legal obligation but only facilitates the share repurchase mechanism. The notional funding carries a 9.8% notional interest compounded daily. The company received a notional dividend on these shares calculated on the basis of the actual dividend paid to ordinary shareholders, divided by ordinary shares and 'A' ordinary shares, which was used as a notional payment. The holders of ordinary shares are entitled to dividends but the holders of 'A' ordinary shares will only be entitled to dividends once the notional funding has been settled.

The closing balance as at 30 September 2012 of the notional funding after the interest and dividends for the employee scheme and black public and business partners is as follows:

	As at 30 Sept 2012	As at 30 Sept 2011	As at 31 Mar 2012
	R000 Reviewed	R000 Reviewed	R000 Audited
Reconciliation of notional funding			
Opening balance	3 396 964	3 371 823	3 371 823
Notional interest accrued	168 788	169 064	338 703
	3 565 752	3 540 887	3 710 526
Less: Notional dividend received	(266 984)	(156 781)	(313 562)
	3 298 768	3 384 106	3 396 964

5. Accounts receivable

	As at 30 Sept 2012	As at 30 Sept 2011	As at 31 Mar 2012
	R000 Reviewed	R000 Reviewed	R000 Audited
Vodacom Group	4 017	303	6 832
Pre-payments	3	3	9
	4 020	306	6 841

All accounts receivables are rand denominated, short term and interest is earned at money market rates on the amount receivable from Vodacom Group.

6. Share capital

6.1 Ordinary share capital

	As at 30 Sept 2012	As at 30 Sept 2011	As at 31 Mar 2012
	R000 Reviewed	R000 Reviewed	R000 Audited
Authorised			
40,0 million (30 September 2011: 40.0 million, 31 March 2012: 40.0 million) ordinary shares at R0.00001 (30 September 2011: R0.00001, 31 March 2012: R0.00001) each	*	*	*

	As at 30 Sept 2012	As at 30 Sept 2011	As at 31 Mar 2012
	R000 Reviewed	R000 Reviewed	R000 Audited
Issued			
Opening balance at the beginning of the period/year 14.4 million (30 September 2011: 14.4 million, 31 March 2012: 14.4 million) ordinary shares at R0.00001 (30 September 2011: R0.00001, 31 March 2012: R0.00001) each	*	*	*
Less: 1 300 (30 September 2011: 600, 31 March 2012: 1 500) ordinary shares at R0.00001 each	(*)	(*)	(*)
Closing balance at the end of the period/year	*	*	*

(* Less than R500.

The company repurchased 1 300 (30 September 2011: 600, 31 March 2012: 1 500) of its ordinary shares during the financial period.

The repurchased ordinary shares were cancelled as issued ordinary shares and returned to unissued authorised ordinary shares.

	As at 30 Sept 2012	As at 30 Sept 2011	As at 31 Mar 2012
	R000 Reviewed	R000 Reviewed	R000 Audited
6.2 'N' ordinary shares			
Authorised			
12 million authorised 'N' ordinary shares at R0.00001 each	*	*	*

	As at 30 Sept 2012	As at 30 Sept 2011	As at 31 Mar 2012
	R000 Reviewed	R000 Reviewed	R000 Audited
Issued			
12 million issued 'N' ordinary shares at R0.00001 each	*	*	*

* Less than R500.

'N' ordinary shares rank *pari passu* to ordinary shares, other than the fact that they will not earn any dividends until the notional funding by Vodacom SA to purchase the 'A' ordinary shares in Vodacom SA is settled.

There were no changes to the 'N' ordinary shares for the six-month period ended 30 September 2012, six-month period ended 30 September 2011 and year ended 31 March 2012, respectively.

	As at 30 Sept 2012	As at 30 Sept 2011	As at 31 Mar 2012
	R000 Reviewed	R000 Reviewed	R000 Audited
7. Ordinary share premium			
Opening balance at the beginning of the period/year	359 950	359 987	359 987
Less: 1 300 (30 September 2011: 600, 31 March 2012: 1 500) ordinary shares at R24.99 (30 September 2011: R24.99, 31 March 2012: R24.99) each	(32)	(15)	(37)
Closing balance at the end of the period/year	359 918	359 972	359 950

The total amount paid for repurchased and cancelled ordinary shares were accounted for as 1 300 (30 September 2011: 600, 31 March 2012: 1 500) ordinary shares at R39.34 (30 September 2011: R31.69, 31 March 2012: R31.69) per share. The total amount of R39.34 (30 September 2011: R31.69, 31 March 2012: R31.69) comprises the par value per share of R0.00001 (30 September 2011: R0.00001, 31 March 2012: R0.00001), the share premium paid of R24.99 (30 September 2011: R24.99, 31 March 2012: R24.99) and an excess portion of R14.34 (30 September 2011: R6.69, 31 March 2012: R6.69) which is accounted for in retained earnings.

	As at 30 Sept 2012	As at 30 Sept 2011	As at 31 Mar 2012
	R000 Reviewed	R000 Reviewed	R000 Audited
8. Account payable			
Trade payables	533	517	679

The average credit period is 30 days (six-month period ended 30 September 2011: 30 days, year ended 31 March 2012: 30 days). No interest is charged on trade payables.

9. Related parties

All transactions with related parties have been made on terms equivalent to those that prevail in arm's length transactions.

	As at 30 Sept 2012	As at 30 Sept 2011	As at 31 Mar 2012
	R000 Reviewed	R000 Reviewed	R000 Audited
Balances with related parties			
9.1 Accounts receivable			
Vodacom Group Limited	4 017	303	6 832
9.2 Transactions with related parties			
Vodacom Group Limited			
Finance income received	153	147	270
Vodacom (Proprietary) Limited			
Dividends received	12 942	7 600	15 200

10. Services in-kind

The board cannot reliably determine a fair value for services received in-kind that consist primarily of participation by board members in the business of the company, and as a result does not recognise the value of these services received in income.

11. Condensed interim financial statements as at 30 September 2012

For the purpose of the YeboYethu Limited interim report, a set of condensed interim financial statements is included. The condensed interim financial statements have been reviewed by the independent auditing firm Deloitte & Touche and were approved by the board of directors on 1 November 2012.

YEBOYETHU LIMITED

(Incorporated in the Republic of South Africa)

• Registration number 2008/014734/06

• Directors:

Zarina Bassa, Vuyani Jarana, Deenadayalen (Len) Konar
Seth Radebe, Christopher Thabeli (TC) Ralebiso

• Secretary:

Lebo Mogoane

• Registered Office:

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